

News Release

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S&P Global Czech Republic Manufacturing PMI[®]

Decline in Czech manufacturing sector quickens in April

Key findings

Output and new orders contract at sharper rates

Inflationary pressures build

Employment falls at faster pace as confidence slips

April data signalled a faster deterioration in operating conditions in the Czech manufacturing sector, according to the latest PMI[®] data from S&P Global. Stronger contractions in production and new orders drove the downturn, with employment also falling at a sharper rate amid softer expectations for future output. Weak client demand weighed further on the sector, as firms turned to cost-cutting initiatives to offset the impact of the decrease in new sales.

Despite a marked fall in input buying and a broad stabilisation in vendor performance, higher energy and food prices drove up the rate of cost inflation. Meanwhile, selling prices rose for the first time in a year, albeit only fractionally.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index[™] (PMI) posted at 44.7 in April, down from 46.2 in March, to signal a stronger decline in the health of the Czech manufacturing sector at the start of the second quarter. Although sharp and in stark contrast to the long-run series average (52.1), the downturn was the second-slowest since September 2022.

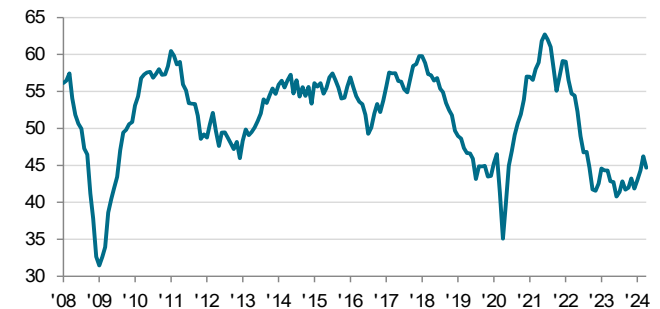
New orders continued to decline in April, as subdued demand conditions domestically and among key export destinations, including Germany, waned further. Czech manufacturers registered a steeper drop in new sales, albeit one that was the second-slowest in 21 months. Companies also noted a reduction in customer referrals and irregular order volumes.

New export orders fell again, thereby extending the current sequence of decline to just over two years. The decrease in foreign client demand was marked, despite easing to the slowest in five months.

The quicker fall in new orders, alongside a further reduction in backlogs of work and efforts to lower post-production stocks, led to a faster decrease in output during April. The rate of contraction was the sharpest in three months.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 11-22 April 2024.

Comment

Siân Jones, Principal Economist at S&P Global Market Intelligence, said:

"Operating conditions at Czech manufacturers took a turn for the worse at the beginning of the second quarter, as weak demand dragged further on new orders and output. Contractions in production and new sales accelerated, as firms made cutbacks in response. Employment fell at a sharper pace, with a marked drop in input buying reflecting broader efforts to destock.

"Cost burdens rose at a much faster rate, amid higher energy, food and imported goods prices. With input costs increasing at the steepest rate in over a year, firms were forced to partially pass this through to customers. That said, a subdued sales environment led to only a fractional uptick in charges, albeit the first in 12 months.

"Despite a pick-up in cost inflation, in part due to a weakening of the koruna against the euro, we continue to expect a further 0.5% cut to the policy rate at the May monetary policy meeting of the Czech National Bank (CNB)."

PMI[®]

by S&P Global

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April data indicated a third successive monthly increase in input costs at Czech goods producers, with the rate of inflation picking up. Higher energy and food prices were reportedly the key drivers of the increase in cost burdens, alongside unfavourable exchange rate movements against the Euro.

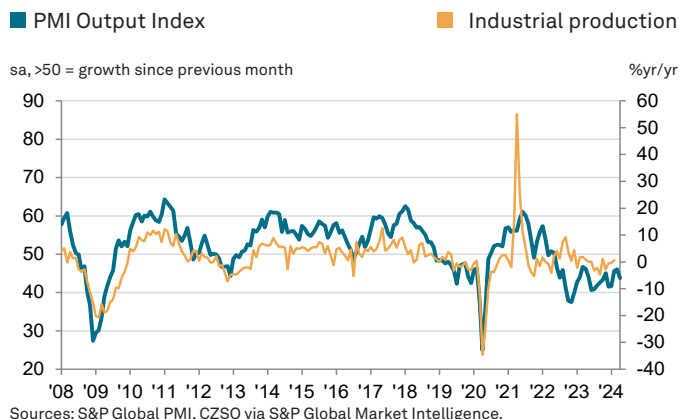
Greater input prices led firms to raise their output charges for the first time in a year at the start of the second quarter. Although firms sought to pass-through higher costs to customers, efforts to remain competitive led to only a fractional uptick in selling prices.

At the same time, Czech manufacturers cut their workforce numbers again in April as lower new order inflows led to a reduction in production requirements. Companies reported lowering full-time staff numbers in a bid to cut costs. The rate of job shedding was strong overall and quickened from that seen in March.

Although the second-highest in two years, the degree of confidence slipped from March's recent high. Business optimism was supported by hopes of a rebound in client demand, however.

Meanwhile, Czech manufacturers reduced their input buying for the twenty-third month running in April. Weak demand conditions led to downward adjustments to purchasing activity which fell sharply. Moreover, goods producers also depleted their pre- and post-production inventories further, with the latter falling at the fastest pace in six months.

Following a deterioration in vendor performance during March, lead times for inputs were broadly unchanged at the start of the second quarter. The impact of disruption to supply routes through the Suez Canal diminished as muted demand for inputs led to greater availability of materials.



Contact

Siân Jones
Principal Economist
S&P Global Market Intelligence
T: +44-1491-461-017
sian.jones@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

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Survey methodology

The S&P Global Czech Republic Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in June 2001.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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